

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

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EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Chuck Brotherton	President	2013
Chris Rodman	Vice President	2015
Lisa Drost	Board Member	2015
Marti Huser	Board Member	2013
Brent Wilhelm	Board Member	2015

(After September 2013 Election)

Chris Rodman	President	2015
Brent Wilhelm	Vice President	2015
Lisa Drost	Board Member	2015
Amanda Lynch	Board Member	2017
Jay Stoltenberg	Board Member	2017

School Officials

Dr. Kevin Fiene	Superintendent
John Kraft	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
East Sac County Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Sac County Community School District, Lake View, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Sac County Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Sac County Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2015 on our consideration of East Sac County Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Sac County Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Sac County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,171,077 in fiscal year 2013 to \$9,493,680 in fiscal year 2014, while General Fund expenditures decreased from \$9,740,828 in fiscal year 2013 to \$9,422,215 in fiscal year 2014. The District's General Fund balance increased from \$838,089 at the end of fiscal year 2013 to \$909,554 at the end of fiscal year 2014, a 9% increase

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of East Sac County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Sac County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Sac County Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or ~~major~~ funds . not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- **Private-Purpose Trust Fund .** The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net position at June 30, 2014 compared to the year ended June 30, 2013.

Figure A-2

	Condensed Statement of Net Position						Percentage Change 2013-2014 %
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,516,810	7,849,552	193,554	217,985	7,710,364	8,067,537	5%
Capital assets	4,800,872	5,237,669	143,595	135,274	4,944,467	5,372,943	7%
Total assets	12,317,682	13,087,221	337,149	353,259	12,654,831	13,440,480	6%
Long-term liabilities	144,891	354,721	2,708	4,184	147,599	358,905	143%
Other liabilities	906,271	953,377	-	-	906,271	953,377	5%
Total liabilities	1,051,162	1,308,098	2,708	4,184	1,053,870	1,312,282	25%
Deferred inflows of resources	3,790,909	4,306,319	6,839	8,790	3,797,748	4,315,109	14%
Net position:							
Net Investment in capital assets	4,800,872	5,106,796	143,595	135,274	4,944,467	5,242,070	6%
Restricted	1,981,541	1,747,236	-	-	1,981,541	1,747,236	-12%
Unrestricted	693,198	618,772	184,007	205,011	877,205	823,783	-6%
TOTAL NET POSITION	7,475,611	7,472,804	327,602	340,285	7,803,213	7,813,089	<1%

The District's total net position increased by less than 1%, or \$9,876, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$234,305 or 12% from the prior year. The decrease was primarily a result of increased expenditures in PPEL and LOST for technology purchases. The District made purchases to move to a one to one computer initiative in the high school.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$53,422, or 6%. This reduction was a result of the District using carryover fund balance to meet current year obligations..

Figure A-3 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	1,028,736	903,049	247,632	264,393	1,276,368	1,167,442	-9%
Operating grants & contributions	1,336,675	1,358,000	275,425	302,303	1,612,100	1,660,303	3%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	3,371,992	3,799,410	-	-	3,371,992	3,799,410	13%
Statewide sales, service & use tax	772,680	805,906	-	-	772,680	805,906	4%
Unrestricted state grants	3,875,962	4,033,025	-	-	3,875,962	4,033,025	4%
Unrestricted investment earnings	184	1,075	401	5,317	585	6,392	993%
Other revenue	123,822	42,984	-	-	123,822	42,984	-65%
Total Revenues	10,510,051	10,943,449	523,458	572,013	11,033,509	11,515,462	4%
Expenses:							
Instruction	7,204,510	6,904,643	-	-	7,204,510	6,904,643	-4%
Support services	3,522,006	3,457,657	-	-	3,522,006	3,457,657	-2%
Non-instructional programs	-	-	528,840	559,330	528,840	559,330	6%
Other expenditures	567,865	583,956	-	-	567,865	583,956	3%
Total expenses	11,294,381	10,946,256	528,840	559,330	11,823,221	11,505,586	-3%
CHANGE IN NET POSITION	(784,330)	(2,807)	(5,382)	12,683	(789,712)	9,876	-101%
Net position beginning of year	8,259,941	7,475,611	332,984	327,602	8,592,925	7,803,213	-9%
Net position end of year	7,475,611	7,472,804	327,602	340,285	7,803,213	7,813,089	<1%

In fiscal year 2014 property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

For the year ended June 30, 2014

- The cost financed by users of the District's programs was \$1,167,442. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,660,303.
- The net cost of governmental activities was financed with \$4,605,316 in property and local other taxes and \$4,033,025 in unrestricted state grants.

Governmental Activities

Revenues for governmental activities were \$10,943,449 and expenses were \$10,946,256. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost Of Services 2013	Total Cost of Services 2014	Net Cost of Services 2013	Net Cost Of Services 2014
	\$	\$	\$	\$
Instruction	7,204,510	6,904,643	5,223,539	5,039,156
Support Services	3,522,006	3,457,657	3,490,745	3,429,116
Non-instructional	-	-	-	-
Other Expenses	567,865	583,956	214,686	216,935
TOTAL	11,294,381	10,946,256	8,928,970	8,685,207

Business Type Activities

Revenues for business type activities were \$572,013 and expenses were \$559,330. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Similar to the prior year, for the year ended June 30, 2014, the District once again increased meal prices at the request of the Dept. of Nutrition.

INDIVIDUAL FUND ANALYSIS

As previously noted, East Sac County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,591,849.

Governmental Fund Highlights

- The District's General Fund balance increased from \$838,089 to \$909,554.
- The Capital Projects Fund balance decreased due to technology purchases to prepare for a one to one computer initiative in the high school. The fiscal year 2014 ended with a balance of \$1,231,745.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$327,602 at June 30, 2013 to \$340,285 at June 30, 2014, representing an increase of approximately 4%. The increase in net position is attributable to revenue increases that outpaced the increase in expenses, partially due to increase in meal prices.

BUDGETARY HIGHLIGHTS

The District's receipts were \$353,397 more than budgeted receipts, a variance of 3%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures slightly higher than expected for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, support services, and non-instructional functional areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) This represents a net increase of 9% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$414,388.

Figure A-5

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	%
Land	96,319	96,319	-	-	96,319	96,319	0%
Buildings	2,779,612	2,635,505	-	-	2,779,612	2,635,505	-5%
Improvements	1,098,607	1,028,030	-	-	1,098,607	1,028,030	-6%
Equipment & furniture	826,334	1,477,815	143,595	135,274	969,929	1,613,089	66%
TOTAL	4,800,872	5,237,669	143,595	135,274	4,944,467	5,372,943	9%

Long-Term Debt

At June 30, 2014 the District had \$358,905 in long-term debt outstanding (See Figure A-6). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-6

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2013	2014	2013-2014
	\$	\$	
Governmental activities:			
Capital leases	-	130,873	100%
Net OPEB liability	144,891	223,848	54%
Total	144,891	354,721	145%
Business type activities:			
Net OPEB liability	2,708	4,184	55%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- East Sac County CSD is expecting a reduction in State Aid due to declining enrollment. The District continues to take every opportunity to cut expenses and look for additional sources of revenue.
- School financing is highly dependent upon student enrollment. The District's October 2014 enrollment decreased by 19 students. This change in enrollment coupled with a small cost per pupil increase could result in approximately \$120,000 decrease in the District's funding for fiscal year 2016. The Budget Guarantee will help defer this decrease for one year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Kraft, Business Manager, East Sac County Community School District, 801 Jackson Street, Lake View, Iowa, 51450.

BASIC FINANCIAL STATEMENTS

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	2,972,027	181,347	3,153,374
Receivables:			
Property tax:			
Delinquent	43,764	-	43,764
Succeeding year	4,306,319	-	4,306,319
Accounts	14,774	87	14,861
Due from other governments	512,668	29,000	541,668
Inventories	-	7,551	7,551
Capital assets, net of accumulated depreciation	5,237,669	135,274	5,372,943
Total assets	13,087,221	353,259	13,440,480
Liabilities			
Accounts payable	92,331	-	92,331
Salaries and benefits payable	859,053	-	859,053
Accrued interest payable	1,993	-	1,993
Long-term liabilities:			
Portion due after one year:			
Capital leases	42,700	-	42,700
Portion due after one year:			
Capital leases	88,173	-	88,173
Net OPEB liability	223,848	4,184	228,032
Total liabilities	1,308,098	4,184	1,312,282
Deferred inflows of resources			
Unavailable property tax revenue	4,306,319	-	4,306,319
Other	-	8,790	8,790
Total deferred inflows of resources	4,306,319	8,790	4,315,109
Net position			
Net investment in capital assets	5,106,796	135,274	5,242,070
Restricted for:			
Categorical funding	64,941	-	64,941
Management levy	196,725	-	196,725
Physical plant and equipment levy	93,488	-	93,488
Student activities	253,825	-	253,825
School infrastructure	1,138,257	-	1,138,257
Unrestricted	618,772	205,011	823,783
Total net position	7,472,804	340,285	7,813,089

See notes to financial statements.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital Grants,
		Services	Grants,	Contributions
			and Restricted	and Restricted
			Interest	Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,536,288	591,204	716,641	-
Special	929,824	50,506	129,814	-
Other	1,438,531	250,226	127,096	-
	<u>6,904,643</u>	<u>891,936</u>	<u>973,551</u>	<u>-</u>
Support services:				
Student	158,399	-	-	-
Instructional staff	329,479	-	-	-
Administration	1,024,975	-	-	-
Operation and maintenance of plant	1,380,109	11,113	-	-
Transportation	564,695	-	17,428	-
	<u>3,457,657</u>	<u>11,113</u>	<u>17,428</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	258	-	-	-
Long-term debt interest	1,993	-	-	-
AEA flowthrough	367,021	-	367,021	-
Depreciation (unallocated)*	214,684	-	-	-
	<u>583,956</u>	<u>-</u>	<u>367,021</u>	<u>-</u>
Total governmental activities	10,946,256	903,049	1,358,000	-
Business type activities:				
Non-instructional programs:				
Food service operations	559,330	264,393	302,303	-
Total	<u>11,505,586</u>	<u>1,167,442</u>	<u>1,660,303</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(3,228,443)	-	(3,228,443)
(749,504)	-	(749,504)
(1,061,209)	-	(1,061,209)
(5,039,156)	-	(5,039,156)
(158,399)	-	(158,399)
(329,479)	-	(329,479)
(1,024,975)	-	(1,024,975)
(1,368,996)	-	(1,368,996)
(547,267)	-	(547,267)
(3,429,116)	-	(3,429,116)
(258)	-	(258)
(1,993)	-	(1,993)
-	-	-
(214,684)	-	(214,684)
(216,935)	-	(216,935)
(8,685,207)	-	(8,685,207)
-	7,366	7,366
(8,685,207)	7,366	(8,677,841)
3,688,085	-	3,688,085
111,325	-	111,325
805,906	-	805,906
4,033,025	-	4,033,025
1,075	5,317	6,392
42,984	-	42,984
8,682,400	5,317	8,687,717
(2,807)	12,683	9,876
7,475,611	327,602	7,803,213
7,472,804	340,285	7,813,089

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	1,648,289	876,311	447,427	2,972,027
Receivables:				
Property tax:				
Delinquent	39,375	1,266	3,123	43,764
Succeeding year	3,886,461	119,858	300,000	4,306,319
Accounts	14,774	-	-	14,774
Due from other governments	158,500	354,168	-	512,668
Total assets	5,747,399	1,351,603	750,550	7,849,552
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	92,331	-	-	92,331
Salaries and benefits payable	859,053	-	-	859,053
Total liabilities	951,384	-	-	951,384
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,886,461	119,858	300,000	4,306,319
Fund balances:				
Restricted for:				
Categorical funding	64,941	-	-	64,941
Management levy	-	-	196,725	196,725
Student activities	-	-	253,825	253,825
School infrastructure	-	1,138,257	-	1,138,257
Physical plant and equipment	-	93,488	-	93,488
Unassigned	844,613	-	-	844,613
Total fund balances	909,554	1,231,745	450,550	2,591,849
Total liabilities, deferred inflows of resources and fund balances	5,747,399	1,351,603	750,550	7,849,552

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

	\$
Total fund balances of governmental funds (Exhibit C)	2,591,849
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,237,669
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(1,993)
Long-term liabilities, including capital leases payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	(130,873)
Long-term liabilities for other post employment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(223,848)</u>
Net Position of governmental activities (Exhibit A)	<u><u>7,472,804</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,417,481	111,325	270,604	3,799,410
Tuition	432,238	-	-	432,238
Other	252,936	363	261,571	514,870
State sources	5,090,405	805,906	-	5,896,311
Federal sources	300,620	-	-	300,620
Total revenues	<u>9,493,680</u>	<u>917,594</u>	<u>532,175</u>	<u>10,943,449</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,337,871	428,999	-	4,766,870
Special	924,659	-	-	924,659
Other	1,181,377	-	254,202	1,435,579
	<u>6,443,907</u>	<u>428,999</u>	<u>254,202</u>	<u>7,127,108</u>
Support services:				
Student	140,786	-	-	140,786
Instructional staff	187,779	140,962	-	328,741
Administration	896,355	-	133,122	1,029,477
Operation and maintenance of plant	889,994	291,682	195,837	1,377,513
Transportation	496,373	434,276	-	930,649
	<u>2,611,287</u>	<u>866,920</u>	<u>328,959</u>	<u>3,807,166</u>
Other expenditures:				
Facilities acquisition	-	808	-	808
Long-term debt:				
Principal	-	-	45,513	45,513
AEA flowthrough	367,021	-	-	367,021
	<u>367,021</u>	<u>808</u>	<u>45,513</u>	<u>413,342</u>
Total expenditures	<u>9,422,215</u>	<u>1,296,727</u>	<u>628,674</u>	<u>11,347,616</u>
Excess (deficiency) of revenues over (under) expenditures	71,465	(379,133)	(96,499)	(404,167)
Other financing sources (uses):				
Proceeds from long-term loans	-	176,386	-	176,386
Operating transfers in	-	-	45,513	45,513
Operating transfers out	-	(45,513)	-	(45,513)
Total other financing sources (uses)	<u>-</u>	<u>130,873</u>	<u>45,513</u>	<u>176,386</u>
Change in fund balances	71,465	(248,260)	(50,986)	(227,781)
Fund balances beginning of year	838,089	1,480,005	501,536	2,819,630
Fund balances end of year	<u>909,554</u>	<u>1,231,745</u>	<u>450,550</u>	<u>2,591,849</u>

See notes to financial statements.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		(227,781)

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, gain on disposal of capital assets and depreciation expense in the current year are as follows:

Expenditures for capital assets	830,581	
Gain on disposal of capital assets	(2,450)	
Depreciation expense	<u>(391,334)</u>	436,797

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(176,386)	
Repaid	<u>45,513</u>	(130,873)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(1,993)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	<u>(78,957)</u>
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Change in net position of governmental activities (Exhibit B)	<u><u>(2,807)</u></u>
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EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2014

	Enterprise Fund
	<u>School Nutrition</u>
	\$
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	181,347
Accounts receivable	87
Due from other governments	29,000
Inventories	<u>7,551</u>
Total current assets	217,985
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>135,274</u>
Total assets	<u><u>353,259</u></u>
Liabilities	
Current liabilities:	
Deferred revenue	8,790
Noncurrent liabilities:	
Net OPEB liability	<u>4,184</u>
Total liabilities	<u>12,974</u>
Net position	
Investment in capital assets	135,274
Unrestricted	<u>205,011</u>
Total net position	<u><u>340,285</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2014

	Enterprise Fund
	School Nutrition
	\$
Operating revenues:	
Local sources:	
Charges for service	264,393
Operating expenses:	
Non-instructional programs:	
Salaries and benefits	146,956
Benefits	38,975
Supplies	348,593
Depreciation	23,054
Other	1,752
Total operating expenses	559,330
Operating income (loss)	(294,937)
Non-operating revenues:	
State sources	5,202
Federal sources	297,101
Interest income	5,317
Total non-operating revenues	307,620
Change in net position	12,683
Net position beginning of year	327,602
Net position end of year	340,285

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Enterprise Fund School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	266,568
Cash paid to employees for services	(184,455)
Cash paid to suppliers for goods or services	(322,817)
Net cash used by operating activities	<u>(240,704)</u>
Cash flows from non-capital financing activities:	
State grants received	5,202
Federal grants received	270,726
Net cash provided by non-capital financing activities	<u>275,928</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(16,485)</u>
Cash flows from investing activities:	
Interest on investments	<u>5,317</u>
Net increase (decrease) in cash and cash equivalents	24,056
Cash and cash equivalents at beginning of year	<u>155,539</u>
Cash and cash equivalents at end of year	<u><u>179,595</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(294,937)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	25,775
Depreciation	23,054
Decrease (increase) in inventories	1,753
Decrease (increase) in accounts receivable	224
(Decrease) increase in deferred revenue	1,951
(Decrease) increase in other postemployment benefits	<u>1,476</u>
Net cash used by operating activities	<u><u>(240,704)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$25,775 of federal commodities.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	339,799
Liabilities	<u>-</u>
Net Position	
Reserved for scholarships	<u><u>339,799</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Upward adjustment	21,891
Gifts and contributions	1,456
Interest	<u>4,203</u>
Total additions	<u>27,550</u>
Deductions	
Support services:	
Scholarships awarded	<u>27,585</u>
Change in net position	(35)
Net position beginning of year	<u>339,834</u>
Net position end of year	<u><u>339,799</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

Board of Education of East Sac County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Wall Lake, Lake View, Auburn, and Sac City Iowa and the predominately agricultural territory in a portion of Sac, Carroll and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, East Sac County Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax

receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-50
Improvements other than buildings	20
Intangibles	3-10
Furniture and equipment	3-12

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instructional, support services and non-instructional functions.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$31,663 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	96,319	-	-	96,319
Capital assets being depreciated:				
Buildings	7,250,034	-	-	7,250,034
Improvements other than buildings	2,142,818	-	-	2,142,818
Furniture and equipment	2,172,092	830,581	106,495	2,896,178
Total capital assets being deprec.	11,564,944	830,581	106,495	12,289,030
Less accumulated depreciation for:				
Buildings	4,470,422	144,107	-	4,614,529
Improvements other than buildings	1,044,211	70,577	-	1,114,788
Furniture and equipment	1,345,758	176,650	104,045	1,418,363
Total accumulated depreciation	6,860,391	391,334	104,045	7,147,680
Total capital assets being depreciated, net	4,704,553	439,247	2,450	5,141,350
Governmental activities capital assets, net	4,800,872	439,247	2,450	5,237,669
Business type activities:				
Furniture and equipment	415,237	16,485	-	431,722
Less accumulated depreciation	271,642	23,054	(1,752)	296,448
Business type activities capital assets, net	143,595	(6,569)	1,752	135,274

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	63,881
Support services:	
Student Support	14,661
Administration services	6,294
Operation and maintenance of plant services	14,634
Transportation	77,180
Unallocated depreciation	214,684
Total depreciation expense . governmental activities	391,334
Business type activities:	
Food services	23,054

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service	Capital Projects	45,513

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Governmental activities:					
Capital Leases	-	176,386	45,513	130,873	42,700
Net OPEB liability	144,891	78,957	-	223,848	-
Total	144,891	255,343	45,513	354,721	42,700
Business type activities:					
Net OPEB liability	2,708	1,476	-	4,184	-

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

	Year Ending June 30,	Amount \$
	2015	45,513
	2016	45,513
	2017	45,514
Minimum Lease Payments		136,540
Less Amount Representing Interest		5,667
Present Value of Minimum Lease Payments		130,873

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$508,446, \$498,268, and \$437,267 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 105 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	89,584
Interest on net OPEB obligation	3,690
Adjustment to annual required contribution	<u>(6,773)</u>
Annual OPEB cost	86,501
Contributions made	<u>6,068</u>
Increase in net OPEB obligation	80,433
Net OPEB obligation beginning of year	<u>147,599</u>
Net OPEB obligation end of year	<u><u>228,032</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$6,068 to the medical plan. Plan members eligible for benefits contributed \$69,161, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2012	78,899	7.51	72,977
June 30, 2013	79,506	6.14	147,599
June 30, 2014	86,501	7.01	228,032

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$574,462, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$574,462. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,250,000, and the ratio of the UAAL to covered payroll was 13.5%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the Frozen Entry Age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

8. Risk Management

East Sac County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$367,021 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Teacher salary supplement	22,163
Preschool	42,778
	<u>64,941</u>

11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	4,746,518	269,710	5,016,228	5,747,973	5,747,973	(731,745)
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	5,896,311	5,202	5,901,513	4,864,092	4,864,092	1,037,421
Federal sources	300,620	297,101	597,721	545,000	545,000	52,721
Total revenues:	<u>10,943,449</u>	<u>572,013</u>	<u>11,515,462</u>	<u>11,162,065</u>	<u>11,162,065</u>	<u>353,397</u>
Expenditures/Expenses:						
Instruction	7,127,108	-	7,127,108	7,060,000	7,060,000	(67,108)
Support services	3,807,166	-	3,807,166	3,220,000	3,220,000	(587,166)
Non-instructional programs	-	559,330	559,330	525,000	525,000	(34,330)
Other expenditures	413,342	-	413,342	1,473,678	1,473,678	1,060,336
Total expenditures/expenses	<u>11,347,616</u>	<u>559,330</u>	<u>11,906,946</u>	<u>12,278,678</u>	<u>12,278,678</u>	<u>371,732</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(404,167)	12,683	(391,484)	(1,116,613)	(1,116,613)	725,129
Other financing sources (uses) net	<u>176,386</u>	<u>-</u>	<u>176,386</u>	<u>-</u>	<u>-</u>	<u>176,386</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(227,781)	12,683	(215,098)	(1,116,613)	(1,116,613)	901,515
Balance beginning of year	<u>2,819,630</u>	<u>327,602</u>	<u>3,147,232</u>	<u>2,689,644</u>	<u>2,689,644</u>	<u>457,588</u>
Balance end of year	<u><u>2,591,849</u></u>	<u><u>340,285</u></u>	<u><u>2,932,134</u></u>	<u><u>1,573,031</u></u>	<u><u>1,573,031</u></u>	<u><u>1,359,103</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2014, expenditures in the instructional, support services and non-instructional functions exceeded the amounts budgeted.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2012	July 1, 2011	-	608,500	608,500	0.0%	4,700,000	12.9%
2013	July 1, 2011	-	608,459	608,459	0.0%	4,350,000	14.0%
2014	July 1, 2011	-	574,462	574,462	0.0%	4,250,000	13.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue Funds		Debt Service	Total
	Management	Student		
	Levy	Activity		
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	193,602	253,825	-	447,427
Receivables:				
Property tax:				
Delinquent	3,123	-	-	3,123
Succeeding year	300,000	-	-	300,000
Total assets	496,725	253,825	-	750,550
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities:	-	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	300,000	-	-	300,000
Fund balances:				
Restricted for:				
Management levy purposes	196,725	-	-	196,725
Student activities	-	253,825	-	253,825
Total fund balances	196,725	253,825	-	450,550
Total liabilities, deferred inflows of resources and fund balances	496,725	253,825	-	750,550

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds		Debt	
	Management	Student	Service	Total
	Levy	Activity		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	270,604	-	-	270,604
Other	9,068	252,503	-	261,571
Total revenues	<u>279,672</u>	<u>252,503</u>	<u>-</u>	<u>532,175</u>
Expenditures:				
Current:				
Instruction:				
Other	-	254,202	-	254,202
Support services:				
Administration	133,122	-	-	133,122
Operation and maintenance of plant	195,837	-	-	195,837
Other expenditures:				
Long-term debt:				
Principal	-	-	45,513	45,513
Total expenditures	<u>328,959</u>	<u>254,202</u>	<u>45,513</u>	<u>628,674</u>
Excess (deficiency) of revenues over (under) expenditures	(49,287)	(1,699)	(45,513)	(96,499)
Other financing sources (uses):				
Operating transfers in	-	-	45,513	45,513
Change in fund balances	(49,287)	(1,699)	-	(50,986)
Fund balances beginning of year	<u>246,012</u>	<u>255,524</u>	<u>-</u>	<u>501,536</u>
Fund balances end of year	<u>196,725</u>	<u>253,825</u>	<u>-</u>	<u>450,550</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	784,089	92,222	876,311
Receivables:			
Property tax:			
Delinquent	-	1,266	1,266
Succeeding year	-	119,858	119,858
Due from other governments	354,168	-	354,168
Total assets	1,138,257	213,346	1,351,603
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	119,858	119,858
Fund balances:			
Restricted for:			
School infrastructure	1,138,257	-	1,138,257
Physical plant and equipment	-	93,488	93,488
Total fund balances	1,138,257	93,488	1,231,745
Total liabilities, deferred inflows of resources and fund balances	1,138,257	213,346	1,351,603

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	111,325	111,325
Other	-	363	363
State sources	805,906	-	805,906
Total revenues	<u>805,906</u>	<u>111,688</u>	<u>917,594</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	428,999	-	428,999
Support services:			
Instructional staff services	140,962	-	140,962
Operation and maintenance of plant	273,836	17,846	291,682
Transportation services	315,176	119,100	434,276
Other expenditures:			
Facilities acquisition	808	-	808
Total expenditures	<u>1,159,781</u>	<u>136,946</u>	<u>1,296,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(353,875)</u>	<u>(25,258)</u>	<u>(379,133)</u>
Other financing sources (uses):			
Proceeds from long-term loans	176,386	-	176,386
Operating transfers out	(45,513)	-	(45,513)
Total other financing sources (uses)	<u>130,873</u>	<u>-</u>	<u>130,873</u>
Change in fund balances	(223,002)	(25,258)	(248,260)
Fund balances beginning of year	<u>1,361,259</u>	<u>118,746</u>	<u>1,480,005</u>
Fund balances end of year	<u><u>1,138,257</u></u>	<u><u>93,488</u></u>	<u><u>1,231,745</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Yearbook	418	9,299	8,005	-	1,712
Student council	3,591	7,421	8,845	-	2,167
MS student council	7,036	1,128	1,405	234	6,993
Cheerleading	1,209	2,796	3,458	-	547
Co-op and greenthumb	37,265	26,357	32,002	-	31,620
FFA	8,501	50,739	53,948	-	5,292
FCCLA	5,096	1,617	3,258	11,955	15,410
Mock trial	50	-	150	100	-
Quiz bowl	85	-	100	100	85
Thespians	1,299	3,341	2,828	-	1,812
National Honor Society	88	102	1,243	1,100	47
Drill team	1,187	5,917	3,957	-	3,147
Baseball	3,233	791	5,141	1,400	283
Athletics	6,880	16,973	9,808	(10,400)	3,645
Softball	31	11,371	13,342	2,000	60
Basketball	19,646	13,902	18,782	-	14,766
Football	3,655	10,687	10,973	-	3,369
Track	573	4,374	6,046	1,100	1
Golf	499	651	3,529	2,400	21
Volleyball	3,604	11,202	15,299	500	7
Wrestling	386	1,602	1,378	-	610
Weightlifting	66	-	-	-	66
Class of 2010	50	-	-	-	50
Class of 2011	1,834	-	-	-	1,834
Class of 2012	829	-	-	-	829
Class of 2013	421	-	421	-	-
Class of 2014	639	1,219	1,642	-	216
Class of 2015	130	10,267	8,487	-	1,910
Class of 2016	148	702	607	65	308
Class of 2020	4	-	-	-	4
Band	156	-	58	-	98
Chorus	1,214	90	90	-	1,214
Occupational child care	503	228	70	-	661
Hall of pride	1,765	-	-	-	1,765
Chicago trip	136	15,946	15,423	-	659
Elementary activities	8,988	969	804	-	9,153
Middle school vending	4,449	13,074	9,272	(234)	8,017
Concessions	1,674	12,015	1,634	(11,955)	100
Concession maintenance	2,284	-	-	-	2,284

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Softball concessions	3,101	7,069	1,939	-	8,231
Baseball concessions	346	-	-	-	346
Industrial tech. mass production	1,510	2,069	2,216	-	1,363
Robotics club	-	677	323	-	354
	<u>134,579</u>	<u>244,595</u>	<u>246,483</u>	<u>(1,635)</u>	<u>131,056</u>
Sac City Center					
Unreserved activity account	98,805	65	190	(65)	98,615
PBSI/Pride	46	50	1,357	1,300	39
Elementary student council	2,925	-	-	-	2,925
Drama and speech	12,428	-	-	-	12,428
Elementary	4,276	4,303	3,289	-	5,290
Elementary pop machine	2,096	1,000	1,110	-	1,986
Middle school activities	153	-	528	400	25
Watch DOGS	216	2,490	1,245	-	1,461
	<u>120,945</u>	<u>7,908</u>	<u>7,719</u>	<u>1,635</u>	<u>122,769</u>
Total	<u><u>255,524</u></u>	<u><u>252,503</u></u>	<u><u>254,202</u></u>	<u><u>-</u></u>	<u><u>253,825</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

Modified Accrual Basis

	East Sac County			Combined Sac and Wall Lake View Auburn Districts						
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,799,410	4,144,672	3,834,594	4,195,556	4,177,472	3,681,373	3,445,821	3,574,870	3,432,553	3,717,552
Tuition	432,238	558,651	472,462	1,262,883	1,235,283	376,118	1,023,383	259,097	287,258	289,202
Other	514,870	594,091	551,119	614,330	1,414,721	1,518,285	1,580,297	682,799	561,842	428,292
Intermediate sources	-	46,254	-	5,353	-	1,975	15,671	-	-	-
State sources	5,896,311	4,878,994	5,102,685	4,718,669	3,940,626	4,884,344	4,555,024	4,309,111	4,255,263	4,121,140
Federal sources	300,620	287,389	406,669	698,066	986,726	413,716	295,847	358,554	512,248	598,831
Total revenues	10,943,449	10,510,051	10,367,529	11,494,857	11,754,828	10,875,811	10,916,043	9,184,431	9,049,164	9,155,017
Expenditures:										
Instruction:										
Regular	4,766,870	4,935,403	4,666,189	4,207,012	4,396,064	5,287,059	6,162,346	4,378,427	4,016,335	3,790,764
Special	924,659	808,451	815,776	634,226	600,123	666,086	580,816	527,358	708,251	673,732
Other	1,435,579	1,412,657	1,340,482	2,415,729	2,828,562	1,039,027	787,414	907,446	901,764	802,753
Support services:										
Student	140,786	148,770	153,569	126,251	149,024	107,982	110,083	124,610	113,105	127,063
Instructional staff	328,741	326,059	376,138	179,135	134,458	110,159	151,073	158,360	181,007	153,319
Administration	1,029,477	988,464	959,057	844,181	919,369	865,263	979,885	897,147	909,990	950,163
Operation and maintenance	1,377,513	1,345,242	1,139,031	1,073,853	1,007,844	946,457	1,014,688	927,086	819,050	865,024
Transportation	930,649	614,154	577,179	516,080	479,070	519,805	514,624	431,518	503,083	317,514
Non-instructional programs	-	-	-	-	1,502	3,045	1,009	17,092	5,759	1,060
Other expenditures:										
Facilities acquisition	808	22,607	454,081	1,224,338	483,830	405,562	632,739	503,364	298,529	85,977
Long-term debt:										
Principal	45,513	-	-	-	-	-	-	8,932	8,906	7,282
Interest and other charges	-	-	-	-	-	-	-	1,310	4,750	6,374
AEA flowthrough	367,021	353,179	347,234	390,082	376,610	347,291	330,335	320,683	311,222	310,776
Total expenditures	11,347,616	10,954,986	10,828,736	11,610,887	11,376,456	10,297,736	11,265,012	9,203,333	8,781,751	8,091,801

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY14	62,199
National School Lunch Program (non-cash)	10.555	FY14	25,775
National School Lunch Program	10.555	FY14	207,547
Special Milk Program for Children	10.556	FY14	1,580
			<u>297,101</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY14	<u>112,899</u>
Health Survey AIDS Education	93.938	FY14	<u>170</u>
Vocational education Basic Grants to States	84.048	FY14	<u>12,023</u>
Improving Teacher Quality State Grants	84.367	FY14	<u>40,654</u>
Grants for State Assessments and Related Activities	84.369	FY14	<u>5,060</u>
Prairie Lakes Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY14	<u>45,093</u>
Total			<u><u>513,000</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of East Sac County Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
East Sac County Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Sac County Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Sac County Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Sac County Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Sac County Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 14-II-A, 14-II-B and 14-II-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Sac County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Finding and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Sac County Community School District's Responses to the Findings

East Sac County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. East Sac County Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Sac County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 15, 2015

Gary E. Horton CPA

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Independent Auditor's Report on Compliance
for Each Major Federal Program, and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
East Sac County Community School District:

Report on Compliance for Each Major Federal Program

We have audited East Sac County Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. East Sac County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of East Sac County Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Sac County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Sac County Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, East Sac County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of East Sac County Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Sac County Community School District's

internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Sac County Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 14-II-A to be a material weakness.

East Sac County Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. East Sac County Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 15, 2015

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 . School Breakfast Program
 - CFDA Number 10.555 . National School Lunch Program
 - CFDA Number 10.556 . Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) East Sac County Community School District did not qualify as a low-risk auditee.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies

14-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

14-II-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements (continued):

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.556: Special Milk Program for Children

CFDA Number 84.010: Title I grants to Local Educational Agencies
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

14-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related To Required Statutory Reporting:

- 14-IV-A Certified Budget: Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts budgeted in the instructional, support services and non-instructional functions.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

- 14-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 14-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 14-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Lisa Drost, Board Member, Part owner of Albrecht Oil	Fuel	14,862

The above transactions appear to be conflicts of interest. Business with District officials is a conflict of interest if bids are not taken or if the total amount exceeds \$2,500.

Recommendation: The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 14-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- 14-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

- 14-IV-G Certified Enrollment: The basic enrollment data certified to the Department of Education was overstated by 1 student for fiscal year 2013, October 2012 count, and was overstated by 3 students for fiscal year 2014, October 2013 count.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related To Required Statutory Reporting (continued):

Recommendation: The District should review its control procedures to ensure accurate counts in the future.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

14-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

14-VI-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

14-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to administrative rules, categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting. We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

14-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part VI: Other Findings Related to Required Statutory Reporting (continued):

	\$	\$
Beginning balance		1,361,259
Revenues/transfers in:		
Capital lease	176,386	
Statewide sales, services and use tax revenue	<u>805,906</u>	<u>982,292</u>
		2,343,551
Expenditures/transfers out:		
School infrastructure	1,159,781	
Debt service transfer	<u>45,513</u>	<u>1,205,294</u>
Ending balance		<u><u>1,138,257</u></u>